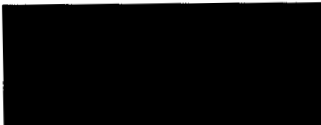


**Internal Revenue Service**

District  
Director



**Department of the Treasury**

P. O. BOX 1680, GPO  
Brooklyn, New York 11202

Date:

DEC 6 1984

Person to Contact:

Contact Telephone Number:

Refer Reply to:

**CERTIFIED MAIL**

Gentlemen:

We have considered your application for recognition of exemption under section 501(c)(7) of the Internal Revenue Code.

The evidence presented discloses that you were incorporated [REDACTED] under Section [REDACTED] of the Not-for-Profit Corporation Law of the State of [REDACTED]. The purposes for which the corporation is formed is as follows:

To promote the common good and general welfare of the Chinese-American community in [REDACTED].

To provide a forum for the free interchange of ideas among Chinese-Americans.

To promote and facilitate social and professional relations and cooperation between members of the community.

The evidence presented discloses that your organization has [REDACTED] members and the dues the members pay is \$[REDACTED] per year. In [REDACTED] your organization received [REDACTED] of its income from interest on bank deposits. For this year you anticipate receiving a similar amount of your income from interest on bank deposits.

Your organization holds an annual meeting and [REDACTED] ordinary meetings per year. For special business the President may call for temporary meetings. Your organization uses its premises for the free interchange of ideas among members and for members to conduct meetings. The organization provides Chinese magazines and newspapers for the members to read.

In situations where members require professional assistance and there are members in the related field or profession, assistance is to be encouraged from these professional members.

Your organization has a mechanism for approving financial aid for needy members. Members applying for financial aid have to present their case in writing explaining the background circumstances, difficulties, and financial situation they are in. In order to approve such applications a vote of over 50% of the committee members or officers is needed.

Section 501(c)(7) of the Internal Revenue Code provides for the exemption of clubs organized for pleasure, recreational and other nonprofitable purposes, substantially all of the activities of which are social purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

Section 1.501(c)(7)-1 of the Income Tax Regulations applies only to clubs which are organized and operated exclusively for pleasure, recreational, and other nonprofitable purposes, but does not apply to any club if any part of the net earnings inure to the benefit of any private shareholder.

Revenue Ruling 70-32, 1970-1 C.B. 132 states that an organization having no organized social and recreational program with no significant commingling of its members does not qualify for exemption under section 501(c)(7) of the Code.

Providing magazines and newspapers for members to read and providing a forum for the free interchange of ideas is not an organized social and recreational program and your annual membership dues are so low that one time or transient use of the facilities is encouraged.

Revenue Ruling 66-149, 1966-1 C.B. 146 states that an organization which regularly derives a substantial part of its income from nonmember sources such as dividends and interest is not exempt from Federal income tax under section 501(c)(7) of the Code.

To the extent that income is derived from nonmember sources, it inures to the benefit of the members. In [ ] you received [ ]% of your income from interest on bank deposits. You anticipate receiving a similar percentage in [ ]. In the future you anticipate receiving interest income with the amount varying as conditions change.

Revenue Ruling 69-527, 1969-1 C.B. 125 states that a social club formed to assist its members in their business endeavors through study and discussion of problems and other activities at weekly luncheon meetings, meetings does not qualify for exemption under section 501(c)(7) of the Code.

( 3 )

As members of your organization are encouraged to aid each other in professional endeavors you are not organized exclusively for pleasure, recreational, and other nonprofitable purposes.

Revenue Ruling 63-100, 1963-2 C.B. 212 states that an organization which maintains a social club for members and also provides sick and death benefits for members and their beneficiaries does not qualify for exemption as a social club under section 501(c)(7) of the Code. The Revenue Ruling concludes that the paying of benefits is not function of a social club.

As your organization has a procedure to aid needy members by giving financial assistance you are not organized exclusively for pleasure, recreational, and other nonprofitable purposes.

Based on the above it is held that your organization does not qualify for exemption under section 501(c)(7) of the Internal Revenue Code. Nor do you qualify under any other paragraph of I.R.C. 501(c).


You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completions.

If we do not hear from you within that time, this determination will become final.

Sincerely yours,

  
District Director

cc 

Enclosure: Publication 892